Federal Funding Is Essential To Saving Michigan's Public Services

By Ryan Zamarripa
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For a full list of sources, please see "Federal Funding Is Essential To Saving State and Local Public Services: State-by-State Fact Sheets," available at https://www.americanprogress.org/?p=487191.

The COVID-19 pandemic and resulting recession are wreaking havoc on Michigan; the state is facing a massive revenue shortfall, which will significantly affect its budget and ability to provide crucial services. Federal funding is needed to help Michigan, along with the local governments within the state, ensure that health care, education, transportation, first responders, and other services continue uninterrupted. The picture is already bleak: Since the pandemic started, the state has lost 50,500 public sector jobs. The economic gravity of the shortfall cannot be stressed enough. Without further federal aid to state and local governments, Michigan is projected to lose 150,200 private and public jobs by the end of 2021. The recent resurgence of the virus only compounds the urgency and should dispel all complacency.

The coronavirus pandemic has decimated Michigan's economy.

- In May, Michigan had an unemployment rate of 21.2 percent, one of the highest rates ever recorded, with roughly 830,000 more state residents out of work than in February.

- As of early July, approximately 1,700,000 Michiganders, representing 33.6 percent of the state's February labor force, have filed unemployment insurance claims since the beginning of March. Some estimates are projecting a double-digit unemployment rate well into 2021.

Michigan's tax revenues are plummeting, creating a severe funding crisis for schools, health care, and other critical services. The Michigan state government has projected a budget shortfall of $3.2 billion in FY 2020, $3 billion in FY 2021, and $2.1 billion in FY 2022, representing declines of 13 percent, 12 percent, and 8 percent, respectively.

Cities in Michigan are facing serious revenue shortfalls as well. Detroit alone has recently projected a budget shortfall of $194 million, according to local sources. The National League of Cities estimates that cities will experience $360 billion in revenue loss through FY 2022, which will force them to significantly cut spending on crucial services or raise taxes on already recession-battered residents. Studies on the Great Recession have found that forcing states to deal with severe budget constraints through austerity dampen long-term gross domestic product (GDP), prolong spells of high unemployment, and extend recessions.

Between February and May, 50,500 public sector workers were laid off in Michigan.

- The National Education Association has estimated that by the end of FY 2022, Michigan could lose roughly 56,400 education jobs as a result of the decline in the state general revenues that fund education.

These job losses could get much worse. A recent analysis conducted by the Economic Policy Institute estimates that without federal action, Michigan will lose a combined total of 150,200 public and private jobs by the end of 2021.

Health care in Michigan is also in jeopardy. The Urban Institute has projected that Medicaid caseloads could increase by as much as 565,000, or 25.3 percent, through FY 2021—a massive and unprecedented spike. Michigan desperately needs help to cover those who are newly unemployed and expected to enroll in Medicaid and to offset extra Medicaid costs related to COVID-19. Without proper funding, the state will be unable to treat at-risk patients, keep families healthy, or provide lifesaving care. Funding Medicaid is critical to ensuring that Michigan can respond effectively to the coronavirus public health crisis and the current economic recession.

The **Health and Economic Recovery Omnibus Emergency Solutions (HEROES) Act,** which passed the U.S. House of Representatives on May 15 with bipartisan support, includes provisions that would help Michigan avoid additional layoffs and devastating cuts to services.

Specifically, it would:

- Allocate $14.1 billion to the government of Michigan and $14.2 billion to its localities over a span of two years, saving thousands of jobs and helping to maintain the uninterrupted delivery of public services such as health care, first responders, and safe drinking water.

- Increase Michigan's Federal Medical Assistance Percentage (FMAP) and provide an additional $3.1 billion in Medicaid dollars to Michigan over an 18-month period.

- Provide $2.7 billion for education in Michigan, including $1.8 billion for public K-12 schools and $809 million to public colleges and universities, which would save an estimated 17,000 jobs supporting K-12 education and 3,800 supporting higher education. This funding would help strengthen distance learning and teaching strategies to keep students and teachers healthy.

Conclusion

As the recession stretches into the second half of 2020, it is becoming increasingly clear that states and localities are at the forefront of combating the pandemic and its economic fallout. From keeping students enrolled in remote learning programs to equipping community health centers with the protective gear needed to safely treat COVID-19 patients, state and local involvement can be seen and felt everywhere.

It is likely that both the coronavirus pandemic and the recession it led to are far from over. To help ease the financial pressures that states and localities are currently facing, it is imperative that the federal government pass legislation to:

1. Allocate at least $915 billion in direct grants to states, localities, tribes, and territories.
2. Increase the Medicaid FMAP by at least 14 percentage points until June 30, 2021.
3. Provide at least $90 billion to the State Fiscal Stabilization Fund to support both public schools and public colleges and universities.

Congress must act to get states and localities the aid they desperately need. Michigan and its residents can't afford to wait.

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